



Australian Government
Department of Foreign Affairs and Trade

Deputy Secretary

Telephone:

Facsimile:

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Committee Secretary
Joint Committee of Public Accounts and Audit
PO Box 6021, Parliament House
Canberra ACT 2600

Dear Committee Secretary

Thank you for the opportunity to make a submission to the new inquiry on the Commonwealth Performance Framework, based on the Auditor-General's report 6 (2016-17) *Corporate Planning in the Australian Public Sector*.

The Department of Foreign Affairs and Trade (DFAT, the department) is committed to fully embedding the Corporate Plan as the department's primary planning document. The recent audit by the Australian National Audit Office (ANAO) on corporate planning produced useful findings that fed into the latest iteration of DFAT's Corporate Plan 2016-20 (available at <http://dfat.gov.au/about-us/publications/corporate/Pages/dfat-corporate-plan.aspx>). Specific points on how DFAT has responded to the audit are detailed later in this submission.

In addition, DFAT is strengthening its approach to the preparation of its Corporate Plan by building on the knowledge gained from the preparation of the 2015-16 annual performance statement (available at <http://dfat.gov.au/about-us/publications/corporate/annual-reports/Pages/department-of-foreign-affairs-and-trade-annual-report-2015-2016.aspx>). The inaugural annual performance statement provided an opportunity to identify lessons learned when reporting against the Corporate Plan. These lessons will influence the future iterations of the department's corporate plans.

DFAT also acknowledges the importance of the Department of Finance continuing to play an active role while the performance framework under the Public Governance, Performance and Accountability Act 2013 is fully implemented. This includes continued guidance and assistance on corporate plan requirements.

DFAT is committed to providing a clear account of what it achieves. As one of the primary documents for explaining DFAT's purpose, activities and planned performance, the department will continue to refine the corporate plan to provide a solid basis for measuring and reporting the department's performance.

I trust this information will be of assistance to the Joint Committee of Public Accounts and Audit.

Mr Nicholas Purtell, Director Corporate Planning Section, Executive Branch, is available on [REDACTED], or at [REDACTED] should you wish to clarify any details in this submission.

Yours sincerely

[REDACTED]

Jennifer Rawson

Response to the ANAO's findings

Were corporate plans positioned as entities' primary planning documents?

ANAO assessment: *DFAT is working to fully establish its corporate plan as its primary planning document.*

DFAT has undertaken a number of actions in response to this assessment as follows:

Completed actions
DFAT requires that its divisions, posts and State and Territory Offices (STOs) directly link their annual business plans to the department's corporate plan. This creates a 'cascading effect' where by all business areas link their priorities to the broader priorities of the department, as detailed in the corporate plan. Divisions, posts and STOs report performance against their business plans in two ways: 1) through regular reviews conducted by the department's Senior Executive; and 2) through contributing performance reporting in the department's annual performance statement.
The Departmental Executive took a hands-on approach to preparing the 2016-20 Corporate Plan. The members of the Departmental Executive considered the Corporate Plan at a number of points during its development, as did the department's Audit and Risk Committee.

These actions have resulted in increased buy-in from the department's leadership and a better understanding among staff of how the Corporate Plan drives the department's work.

In the future, DFAT sees opportunity to further establish its corporate plan as its primary planning document through:

Future actions	Timeframe
DFAT can better align performance measures in divisional, post and STO business plans with the Corporate Plan. This is an iterative process. Guidance on preparing business plans for work units, promulgated by Executive Branch in early 2017, will make clear the importance of linking performance measures with the Corporate Plan, where practicable.	All Divisions, posts and STOs to update their business plans by mid-2017

Did entities have sound systems and processes for developing their corporate plans?

ANAO assessment: *Most key elements in the development process were evident.*

DFAT has undertaken a number of actions in response to this assessment as follows:

Completed actions
DFAT has implemented a structured approach to support the development of the Corporate Plan. DFAT's Executive Branch coordinates the Corporate Plan with support from business areas in the department. In this way, relevant parts of the department are consulted on the Corporate Plan. DFAT's Senior Executive, the Departmental Executive and the department's Audit and Risk Committee are all consulted and each provides their approval of the Corporate Plan during its development. The Secretary approves the final draft, and promulgates the Corporate Plan to staff via administrative circular.
DFAT has ensured that the roles and responsibilities for preparing the Corporate Plan are approved by the Departmental Executive prior to the annual process of reviewing and updating it.

These two actions provide assurance that the department's Corporate Plan is prepared (in a robust manner) with appropriate internal consultation.

In the future, DFAT sees opportunity to further improve the systems and processes for developing its corporate plan through:

Future actions	Timeframe
DFAT's corporate plan would benefit from increased consultation with external stakeholders, particularly other Commonwealth departments with linkages to the department's work. Additional external consultation will be incorporated into preparation of DFAT's next Corporate Plan. The strategy for engaging external stakeholders will be considered by the Departmental Executive prior to preparing the 2017-21 Corporate Plan.	Departmental Executive to consider external stakeholder consultation strategy by mid-2017

Did entity corporate plans meet the requirements of PGPA Rule 2014?

ANAO assessment: *DFAT met the requirements for the publication of its corporate plan.*

While DFAT met all relevant mandatory requirements, DFAT has undertaken a number of actions to strengthen the corporate plan as follows:

Completed actions
DFAT increased its narrative on risk in the 2016-20 Corporate Plan. This included detailing risks to the different priority functions of the department, in addition to an explanation of how risk is managed in the department.
Recognising that there were opportunities to fine-tune the department's performance measures, DFAT now uses a broader mix of quantitative and qualitative performance measures. For example, performance measures for 'Enhancing Australia's Influence' (page 11, 2016-20 Corporate Plan) now include a greater mix of areas for review that will provide a more complete picture of the department's performance.

Recognising that corporate plans and Portfolio Budget Statements (PBS) are closely linked, DFAT is aiming to improve the linkages between these two documents by:

Future actions	Timeframe
DFAT to better align performance measures in its PBS with the Corporate Plan. This will be completed by the department when preparing its PBS for 2017-18.	DFAT's 2017-18 PBS will be completed by budget day

Did entities develop sound systems and processes for monitoring achievements against their corporate plans?

ANAO assessment: *Systems and processes for monitoring the plan were in place but not fully operating.*

DFAT has undertaken a number of actions in response to this assessment as follows:

Completed actions
Roles and responsibilities for collecting, measuring and reporting data against performance measures in the Corporate Plan have been made clear to relevant areas of the department. For example, DFAT's Protocol Branch is responsible for reporting against the performance measure

detailing the satisfaction of the diplomatic and consular corps accredited to Australia (see page 16 of the 2016-20 Corporate Plan).

DFAT's Internal Audit Branch undertook an audit in early-2016 covering 'DFAT Corporate Plan: 2015/16 Performance Statement - Preliminary Risk Review'. This audit examined risks associated with the department's ability to report against the performance measures included in the 2015-19 Corporate Plan. The audit's findings were a useful 'early warning' indicator and the basis for additional consultation and effort to ensure DFAT's inaugural annual performance statement was as complete as possible.

DFAT is also undertaking future actions to improve its ability to monitor achievements against its corporate plan as follows:

Future actions	Timeframe
The department is assessing how it can provide additional meaningful periodic reports to the Departmental Executive on Corporate Plan progress. Some work areas of the department are already providing regular reporting, for example the Australian Passport Office. To address the complexity of reporting on DFAT's often broadly defined policy functions, such as 'promoting a stable and prosperous regional and global environment', the Departmental Executive will be holding more regular policy discussions.	Departmental Executive to consider options for additional reporting on implementation of the Corporate Plan by early-2017
DFAT's Internal Audit Branch will undertake an audit to ensure that comprehensive records have been kept that properly record and explain DFAT's reported performance outcomes. This will also provide a useful review of how line-areas collect, analyse and report data against performance measures in the corporate plan and will act as a lessons-learned opportunity.	Internal Audit (in consultation with Executive Branch) to complete its audit by early-2017

Lessons learned from the preparation of the 2015-16 Annual Performance Statement

As part of new performance framework under the Public Governance, Performance and Accountability Act 2013 (PGPA Act) and related PGPA Rule 2014, DFAT is required to include summary performance information in its Portfolio Budget Statements, publish a corporate plan each year and include in their annual report a performance statement that reports on their performance.

With the publication of DFAT's inaugural Annual Performance Statement in October 2016, the department has now undergone a 'full reporting cycle' and a range of lessons were learnt as part of this process:

Senior level engagement

Senior-level engagement and support are important in developing the corporate plan and during its implementation. The new PGPA Act performance framework has led to a much greater role for the Departmental Executive (DE) in overseeing the preparation of the Annual Report (including the Annual Performance Statement). The new requirements also give the department's Audit and Risk Committee (ARC) a formal role in providing assurance to the Secretary on the department's performance reporting. This enhanced high-level scrutiny by both DE and ARC will lead to improved quality in our performance reporting in future annual reports.

Internal coordination

DFAT benefited from having a single business area (Executive Branch) develop both the 2016-20 Corporate Plan and the inaugural 2015-16 Annual Performance Statement. This included consultation with all Canberra-based First Assistance Secretaries on the requirements of the Annual Performance Statement, while also garnering feedback on how the next iteration of the Corporate plan could be strengthened, particularly performance measures.

Performance measures

Under the new PGPA Act performance framework, there is an expectation that reporting would be focused on the results achieved by the department in fulfilling the purpose set out in the Corporate Plan, and to elicit a more targeted discussion of actual performance, rather than a description of activities.

To meet this expectation, the Corporate Plan includes a range of measurement mechanisms, including case studies, reports and reviews. These have been developed to ensure the Corporate Plan encompasses differences in DFAT's priority functions and can provide a comprehensive account of its performance. **Getting performance measures right is critical to useful performance reporting.** DFAT recognises that improving the quality of the performance information it reports is an iterative process and performance measures should be reviewed periodically to ensure they remain a useful reporting tool.

Aligning Corporate Plans and Portfolio Budget Statement (PBS)

The new performance framework made preparation of DFAT's 2015-16 Annual Performance Statement challenging. In particular, meeting the dual requirements of the Annual Performance Statement to report against both the 2015-19 Corporate Plan (which details the department's

priority functions) and the 2015-16 PBS (which details the department's funding structure). There may be opportunities to further align the PBS with the Corporate Plan. This decision will be informed by further internal consultation.

Additional background

Business planning and performance management in DFAT

The Corporate Plan is the department's primary planning document (see Figure 1.1 which illustrates how the corporate plan fits with the department's other business planning tools). It outlines how DFAT will deliver on the government's priorities and how the department will measure its performance.

The Corporate Plan sits alongside the Portfolio Budget Statements in setting the department's performance framework. DFAT reports on the results we achieve against the measures set out in the Corporate Plan and the Portfolio Budget Statements through the Annual Performance Statement, which forms part of the department's Annual Report.

The priorities and performance measures detailed in the Corporate Plan shape the department's business planning processes at the Division/Post/State and Territory Office level, which in turn inform individual performance agreements.

All divisions, posts, and state and territory offices are required to update their Division/Post/Office business plan annually and ensure strong links to the department's Corporate Plan and Values Statement.

DFAT's Senior Executive (consisting of the Secretary, Deputy Secretaries and the Chief Officers for Human Resources, Finance and Information and Communications Technology) conducts rolling reviews of the performance of divisions, posts, and state and territory offices against their individual business plans through the Division/Post/Office Business Review process.

**FIGURE 1.1 – BUSINESS PLANNING AND
PERFORMANCE MANAGEMENT IN DFAT**

